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## **Honduras**

## **Sugar Annual**

## **2010**

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**Report Highlights:**

The sugar industry in Honduras aims at increasing refining capacity and improving efficiency. Sugar production is estimated at 416,000 MT in 2009/2010 and it is forecast to reach 454,000 MT in 2010/2011. Sugar exports are estimated at 103,000 MT in 2009/2010. The export forecast for 2010/2011 is 133,000 MT. Domestic consumption has increased due to population growth, industrial use and controlled domestic refined sugar prices. In 2007, Honduras approved the Law for the Production and Consumption of Biofuels with a wide range of fiscal incentives, which will be attractive for investment in the production of ethanol. The regulation of this law has been already written.

## **Executive Summary:**

The sugar industry in Honduras generates jobs for about ten percent of the economically active population in Honduras. It is estimated that more than 200,000 people receive direct or indirect benefits from the sugar sector. More than US\$25 million is paid in salaries yearly and US\$40 million is paid by the sugar mills to independent sugar producers.

Sugar production, commerce and distribution in Honduras are in the hands of the private sector. Sugarcane production is carried out on 50,000 hectares of land. The sugar mills own 50 percent and independent producers own 50 percent of the land. The sugar industry provides the independent producers technical assistance to improve practices to obtain higher yields. However, some independent producers prefer to rent their land to the sugar mills.

The sugar industry is represented by the Honduran Sugar Producers Association (APAH). All seven sugar mills are members of APAH. These mills sell their production to the Sugar Miller's Central (CISA), which is owned by APAH. The Government of Honduras (GOH) does not have any specific policy related to sugar.

Sugarcane production for the 2010/2011 harvest is forecast at 4.33 million metric tons (MT). Production for 2009/2010 decreased to 4.10 million MT due to new data provided by APAH.

Sugar production is forecast at 454,000 MT in 2010/2011. Production for 2009/2010 is estimated at 416,000 MT. The increase from post's estimate of 408,000 MT was due to climatic conditions. According to data from the Central Bank of Honduras, the U.S. dollar value of exports increased by 39 percent, from US\$20.9 million in calendar year 2008 to US\$29.1 million in calendar year 2009. Domestic consumption has increased due to population growth, industrial use, and controlled domestic refined sugar prices.

In December 2007, Honduras approved the Law for the Production and Consumption of Biofuels. The law provides fiscal incentives, such as exemptions from customs tariffs, income tax, and other related taxes for 12 years. APAH conducted feasibility studies on ethanol production. The approval of this law is important for ethanol production investment, since it will standardize the ethanol and gasoline mixtures.

In addition, the mills produce the energy that they use during the harvest months (November – May). The excess energy that they generate is sold to the GOH's National Enterprise of Electric Energy (ENEE). Sugar mills supply about ten percent of national demand. Factors that affect production are the climate, insecurity in land tenure, low agricultural ceilings imposed through industry limits established in the agrarian law and access to credit. Particularly, independent producers were affected by the financial crisis which has reduced available credit.

## **Production:**

Sugarcane is grown on 50,000 hectares of land, 50 percent of which is owned by the sugar industry and 50 percent by independent producers. The sugar industry is comprised of seven sugar mills and ten warehouses. Among the independent producers, about 55 percent are small producers (with 1-18 hectares), 22 percent are medium producers (with 18-53 hectares) and 23 percent are large producers with more than 53 hectares. The sugar industry in Honduras has in recent years been investing in infrastructure and equipment, thus increasing refining capacity and improving efficiency.

Sugar mills are working at 95 percent of their productive capacity. The recovery rate of sucrose from sugarcane is between nine and ten percent. From the area harvested, 97 percent of the sugarcane enters into production and three percent is kept for replanting.

Sugar production reached 416,000 MT in 2009/2010. The increase from post's estimate of 408,000 MT was due to favorable weather conditions. The climatic phenomenon of El Niño caused less rain, less floods and enough sun hours to increase sugarcane yields (more sunlight increases sucrose production in the plant).

Production is forecast to reach 454,000 MT in 2010/2011. APAH estimates that production might be affected by the climatic phenomenon of La Niña, expected to increase precipitation.

The sugar industry is interested in improving sugarcane and sugar yields through improved irrigation systems and milling technology. Improved sugarcane yields are achieved through the constant evaluation of seeds and technical assistance from research centers in Honduras, Guatemala, and Colombia. The technicians at the sugar mills are also members of the Association of Central American Sugar Technicians. Through this association, members share information and new technological advances.

The sugar industry has a program to provide incentives to sugarcane workers. The industry also is active in: provision of equipment, health care, school meals, teacher salaries, road maintenance and credit for small enterprises in the communities where the sugar mills are located.

### **Consumption:**

Domestic sugar consumption in Honduras is estimated at 313,000 MT in 2009/2010. The increase from post's estimated amount of 306,000 MT was due to population growth, industrial use and controlled domestic refined sugar prices.

In 2010/2011, consumption is forecast to follow a similar trend at 321,000 MT. Per capita sugar consumption is 85 pounds per person, including soft drinks, of which 33 pounds are direct usage and 52 pounds are indirect use. About 30 pounds of sugar are consumed per capita annually in processed and baked foods as well as beverages.

### **Trade:**

Sugar exports are estimated at 103,000 MT in 2009/2010. The export forecast for 2010/2011 is 133,000 MT. The increase is due to investment by the sugar industry to improve refining capacity

and efficiency. In addition, with more sugar production, the product that it is not consumed in the domestic market is exported.

According to the latest data from the Central Bank, the U.S. dollar value of exports increased by 39 percent, from US\$20.9 million in 2008 to US\$29.1 million in 2009. The main destinations for Honduran sugar exports were the United States, Guyana, Jamaica, the Russian Federation, Haiti, Trinidad and Tobago, Yemen and Sri Lanka.

The import tariff for raw sugar is 40 percent (consumption tax is not charged). The import tariff for refined sugar is 15 percent plus 12 percent consumption tax. By law, quality restrictions require vitamin A to be added to sugar for human consumption, which is done by the Honduras sugar industry. The import tariff for raw sugar averages US\$0.16 per kilogram. The import tariff for refined sugar is US\$0.08 per kilogram. APAH is currently participating in the trade negotiations between Central America and the European Union.

Sugar exports of Honduras by country are the following:

## **EXPORT TRADE MATRIX**

### **Honduras**

#### **Sugar, Centrifugal**

#### **Calendar Year 2009**

<b>Country</b>	<b>Metric Tons</b>
United States	38,313
Guyana	8,230
Jamaica	6,498
Russian Federation	5,995
Haiti	4,077
Trinidad and Tobago	3,954
Yemen	2,678
Sri Lanka	2,600
Santa Lucia	1,649
Pakistan	1,247
Barbados	1,150
Others	2,309
<b>T O T A L</b>	<b>78,700</b>

Source: Central Bank of Honduras - Calendar year 2009

**Stocks:**

Stocks are owned by the sugar mills and are located at the CISA warehouses in Tegucigalpa and San Pedro Sula, located at the north and central part of the country. Stock levels are expected to remain similar in 2010/2011.

**Policy:**

The GOH does not have an overall policy related to sugar. The Secretariat of Agriculture and Livestock (SAG), the Secretariat of Industry and Trade (SIC), sugar mills and independent producers created the National Sugar Council through Decree 161-2005 in December 2005. The objective of the Council is to regulate matters between independent producers and sugar mills related to land tenure and technical assistance.

Because sugar is considered a basic commodity which affects the cost of living, SIC must authorize any change in the consumer price for the domestic market. As a result, the consumer price remained unchanged in 2009. Honduras does not have export taxes; they were eliminated in order to follow World Trade Organization (WTO) recommendations.

For several years, APAH worked and lobbied the Honduran Congress for the approval of the Law for the Production and Consumption of Biofuels. The law was approved and published in December 2007. The law provides fiscal incentives, such as exemptions from customs tariffs, income tax, and other related taxes for 12 years. The regulations for the implementation of the law have been written. The approval of this law is important for ethanol production investment. The regulation will make clear the percentage mix of ethanol with gasoline.

A sugar mill completed a study of the infrastructure and funding requirements to build an ethanol processing plant. According to data from 2008, the cost would be about US\$40 million if the plant were installed in an existing sugar mill. If a new sugar mill with an ethanol processing plant were built, the cost would be between US\$170-200 million.

The sugar mills produce the energy they use during the harvest months (November-April), through the use of bagasse, generating 128 Mwh, with a potential of 344 Mwh of electricity. They also sell electricity to the GOH's electric company, supplying about ten percent of the national demand. Due to the high prices of oil, sugar mills started to use coal during the non-harvest season of May-October.

**Price Policy**

The table below shows the sugar prices for plantation white (standard) and refined sugar sold at the sugar mill, wholesale market and to the consumer.

### Honduras Sugar Prices

US\$/pound

Sale place	Plantation white	Refined
Sugar mill	0.25	0.35
Wholesale	0.28	-
Consumer	0.32	0.41

Source: Honduran Sugar Producers Association (APAH), USDA FAS Honduras

At present, the exchange rate between the Honduran currency, the Lempira and the U.S. dollar is US\$1 = L.18.90.

Further information can be found at the Honduran Producers Sugar Association (APAH) website:

[www.azucar.hn](http://www.azucar.hn)

### Marketing:

The seven sugar mills sell their production to the Sugar Miller's Central (CISA), which is owned by APAH and has 10 warehouses in the country. CISA distributes the sugar nationwide. CISA has developed marketing programs for new brands and improved packaging. CISA has also increased its distribution areas in the northern region of the country. It was using one quintal bags (equivalent to 45.36 kilograms, or 100 pounds). CISA has changed to 50 kilograms bags to bring Honduras in line with neighboring countries. It is also in the process of investing in individual packages to offer to the consumer.

### Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal Honduras	2009			2010			2011		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Planted		50			55			55	
Area Harvested		49			53			54	
Production		3,764			4,102			4,327	

Total Supply		3,764	0		4,102	0		4,327	0
Utilization for Sugar		3,764			4,102			4,327	
Utilizatr for Alcohol		0			0			0	
Total Utilization		3,764	0		4,102	0		4,327	0
TS=TD			0			0			0
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Sugar, Centrifugal Honduras	2009			2010			2011		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Sep 2008			Market Year Begin: Sep 2009			Market Year Begin: Sep 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Beginning Stocks	125	125	125	100	243	0		363	0
Beet Sugar Production	0	0		0	0			0	
Cane Sugar Production	385	395		401	416			454	
Total Sugar Production	385	395	0	401	416	0		454	0
Raw Imports	0	13		0	14			15	
Refined Imp.(Raw Val)	0	105		9	106			107	
Total Imports	0	118		9	120			122	
Total Supply	510	638	125	510	779	0		939	0
Raw Exports	130	84		93	103			133	
Refined Exp.(Raw Val)	0	0		0	0			0	
Total Exports	130	84	0	93	103	0		133	0
Human Dom. Consumption	280	311		297	313			321	
Other Disappearance	0	0		0	0			0	
Total Use	280	311	0	297	313	0		321	0
Ending Stocks	100	243		120	363			485	
Total Distribution	510	638	0	510	779	0		939	0
TS=TD			-125			0			0
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